

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Unionville	County Tuscola
Fiscal Year End March 31, 2007	Opinion Date May 21, 2007	Date Audit Report Submitted to State July 17, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	No other reports required	
Certified Public Accountant (Firm Name) Nietzke & Faupel P.C.		Telephone Number (989) 883-3122	
Street Address 41 East Main Street		City Sebewaing	State MI
Authorizing CPA Signature <i>JoAnn E Lakie, CPA</i>		Printed Name JoAnn E Lakie, CPA	Zip 48759
		License Number 1101017493	

**VILLAGE OF UNIONVILLE
UNIONVILLE, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2007**

VILLAGE OF UNIONVILLE, MICHIGAN

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VILLAGE OF UNIONVILLE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Village Council
Village of Unionville
Unionville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Unionville, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Unionville, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Unionville, Michigan as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. P

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2007, on our consideration of Village of Unionville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Pg 25

REPORT OF INDEPENDENT AUDITORS

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Unionville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

May 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Village of Unionville presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2007. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follows this section.

Financial Highlights

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,568,390.
- Net assets increased by a total of \$64,171, or by approximately 2.5% of last year's total net assets of \$2,504,219.
- The fund balance of the Village's General Fund decreased by \$65,236. The fund balance for the other Governmental Funds (Major Street, Local Street, and Municipal Street Funds) decreased by \$3,670.
- Significant expenditures for the year ended March 31, 2007 were road construction for Major Streets \$16,648 and Local Streets \$18,052. Major general fund expenditures were \$175,731 for park improvements.

Financial Statements Overview

This Management Discussion and Analysis serves to introduce the reader to the Village of Unionville's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The Statement of Activities show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

The Government-wide Financial Statement, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

Governmental activities for the Village of Unionville include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Municipal Street, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer and Water systems.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Unionville uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

Governmental Funds account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balance show reconciliation between the Governmental Funds statements to the Governmental Activities in the Government-wide statements.

The Village of Unionville uses four different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Unionville. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds include enterprise funds and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Funds maintained by the Village of Unionville include the sewer and water funds. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Funds are included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicles that support the Village functions, is included under the Governmental Activities column.

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer and Water funds which are considered to be major funds of the Village of Unionville.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

Other Information

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

Government-wide Financial Analysis

VILLAGE OF UNIONVILLE'S NET ASSETS March 31, 2007

	Governmental Activities	Business-Type Activities	Total
Current assets	\$267,877	\$ 150,097	\$ 417,974
Capital assets	539,747	2,182,930	2,722,677
Restricted and other assets	63,927	54,716	118,643
Total assets	<u>\$871,551</u>	<u>\$2,387,743</u>	<u>\$3,259,294</u>
Current liabilities	\$ 10,283	\$ 7,506	\$ 17,789
Long-term liabilities		673,115	673,115
Total liabilities	<u>\$ 10,283</u>	<u>\$ 680,621</u>	<u>\$ 690,904</u>
Net assets:			
Invested in capital assets, net of related debt	539,747	\$1,509,815	\$2,049,562
Restricted	63,927	43,474	107,401
Unrestricted	257,594	153,834	411,428
Total net assets	<u>\$861,268</u>	<u>\$1,707,122</u>	<u>\$2,568,390</u>

(Continued)

As shown in the Statement of Net Assets provided, the largest portion, by far of the Net Assets of the Village of Unionville is its investment in capital assets. The Village of Unionville uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

Activities, Governmental and Business-Type

Net assets of Governmental Activities increased by \$119,023 for the year ended March 31, 2007. This is approximately a 16% change from beginning net assets. The increase is due to capitalization of capital assets and a current park improvement project. The park improvement project expended \$175,731 for park improvements, this amount is capitalized in the governmental activities statement of net assets.

Net assets of Business-type Activities decreased by \$54,852 for the year ended March 31, 2007. The amount of change is approximately 3% of net assets.

VILLAGE OF UNIONVILLE'S CHANGES IN NET ASSETS For the year ended March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 32,973	\$ 111,745	\$144,718
Grants	84,834		84,834
General revenues:			
Property taxes	113,362		113,362
State shared revenue	122,937		122,937
Unrestricted investment earnings	7,479	5,325	12,804
Miscellaneous	16,060		16,060
Total revenue	<u>377,645</u>	<u>117,070</u>	<u>494,715</u>
Expenses:			
General government	59,349		59,349
Public safety	43,289		43,289
Highways and public improvements	121,852		121,852
Sanitation	34,132		34,132
Sewer		95,844	95,844
Water		76,078	76,078
Total expenses	<u>258,622</u>	<u>171,922</u>	<u>430,544</u>
Change in net assets	119,023	(54,852)	64,171
Net assets – Beginning	<u>742,245</u>	<u>1,761,974</u>	<u>2,504,219</u>
Net assets - Ending	<u>\$861,268</u>	<u>\$1,707,122</u>	<u>\$2,568,390</u>

(Continued)

Financial Analysis of Village of Unionville's Funds

The Village of Unionville's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2007.

For the year ended March 31, 2007, the Village's governmental funds reported a combined fund balance amount of \$321,467, of this amount \$63,927 is reserved. The fund balance decrease for the current fiscal year was \$68,906.

General Fund Budgetary Highlights

A major difference in the original budget versus the actual budget was the cost of the walking and biking path. The general fund budget expenditures increased by \$45,087.

Capital Asset and Debt Administration

The Village of Unionville's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$2,049,562. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, roads and sewer collection system and water supply system. The Village's investment in capital assets equals over seventy-nine percent (79%) of total net assets.

VILLAGE OF UNIONVILLE'S CAPITAL ASSETS

March 31, 2007

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Land (Nondepreciated)	\$166,126	\$ 155,532	\$ 321,658
Buildings	369,202	1,733	370,935
Equipment	257,381		257,381
Roads and sidewalks	104,433		104,433
Water system		999,660	999,660
Sewer system		2,379,109	2,379,109
Accumulated depreciation	(357,395)	(1,353,104)	(1,710,499)
Net book value	<u>\$539,747</u>	<u>\$2,182,930</u>	<u>\$2,722,677</u>

The Village of Unionville's debt consists of a general obligation enterprise bond (\$285,000), and water supply system revenue bonds (\$388,115). Normal payments of principal and interest in accordance with the associated debt service schedules were made during the fiscal year.

Economic Factors and Future Budget Issues

The fiscal year budget for 2007-08 is at \$526,796, which is \$49,752 less than the 2006-07 budget of \$576,545. The Village has noticed a decline in the economy caused by unemployment in the Village and Township. The loss of State Revenue Sharing is putting a hardship on a community that is already suffering. The reserve funds used for the walking and biking path in 2006-07 was more than anticipated. Therefore, the decision was made to cut back spending in all areas.

There are no major expenditures anticipated in the 2007-08 fiscal year.

The walking and biking path is completed and has passed inspection.

The new well is finished and on line and approved by the DEQ. This now gives the Village three workable wells.

Requests for Information

This financial report is designed to give the reader a basic understanding of the Village of Unionville's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Unionville, 6454 Merry Street, Unionville, Michigan 48767.

BASIC FINANCIAL STATEMENTS

VILLAGE OF UNIONVILLE, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Cash	\$ 237,338	\$ 113,776	\$ 351,114
Accounts receivable	23,315	4,031	27,345
Prepaid expenses	6,420	410	6,830
Accrued interest receivable		1,876	1,876
Special assessment receivable		7,183	7,183
Connection charges receivable		24,080	24,080
Internal balances	804	(1,257)	(453)
Nondepreciated capital assets	166,126	155,532	321,658
Capital assets	731,016	3,380,501	4,111,517
Less accumulated depreciation	(357,395)	(1,353,103)	(1,710,498)
Restricted assets:			
Cash - Storm sewer	39,970		39,970
Cash - Police equipment	18,667		18,667
Cash - Equipment rental	5,290		5,290
Cash - Debt retirement		31,616	31,616
Cash - Maintenance & improvements		11,858	11,858
Deferred charges - bond issue costs		11,242	11,242
TOTAL ASSETS	<u>\$ 871,551</u>	<u>\$ 2,387,743</u>	<u>\$ 3,259,294</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 8,588	\$ 1,213	\$ 9,801
Accrued payroll taxes	1,695		1,695
Accrued interest payable		6,294	6,294
Payable out of restricted assets:			
Water supply system bonds		388,115	388,115
General obligation bonds		285,000	285,000
Total liabilities	<u>10,283</u>	<u>680,621</u>	<u>690,904</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	539,747	1,509,815	2,049,562
Restricted for:			
Debt service and improvements		43,474	43,474
Storm sewer	39,970		39,970
Police equipment	18,667		18,667
Equipment rental	5,290		5,290
Unrestricted	<u>257,594</u>	<u>153,834</u>	<u>411,428</u>
Total net assets	<u>\$ 861,268</u>	<u>\$ 1,707,122</u>	<u>\$ 2,568,390</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE & CHANGES IN NET ASSETS</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
<u>Governmental activities</u>						
General government	\$ 59,349				\$ (59,349)	\$ (59,349)
Public safety	43,289				(43,289)	(43,289)
Highways and public improvements	121,852			\$ 84,834	(37,018)	(37,018)
Sanitation	34,132	\$ 32,973			(1,159)	(1,159)
Total governmental activities	258,622	32,973	-	84,834	(140,815)	(140,815)
<u>Business-Type Activities</u>						
Water	95,844	67,356				
Sewer	76,078	44,389				\$ (28,488)
Total business-type activities	171,922	111,745	-	-	-	(31,689)
Total Government	\$ 430,544	\$ 144,717	\$ -	\$ 84,834	(140,815)	(60,177)
						(200,992)
<u>General Revenue:</u>						
Property taxes					113,362	113,362
State shared revenues					122,937	122,937
Unrestricted investment earnings					7,479	12,804
Miscellaneous					16,060	16,060
Total general revenues					259,838	265,163
Change in net assets					119,023	64,171
Net assets - beginning					742,245	2,504,219
Net assets - ending					\$ 861,268	\$ 2,568,390

The accompanying notes are an integral part of the financial statements.

VILLAGE OF UNIONVILLE, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2007

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 37,798	\$ 101,728	\$ 76,662	\$ 21,222	\$ 237,409
Accounts receivable - other	15,241	5,135	2,939		23,315
Prepaid expenses	5,122	683	615		6,420
Restricted assets:					
Cash - Storm sewer	39,970				39,970
Cash - Police equipment	18,667				18,667
Cash - Equipment rental	5,290				5,290
TOTAL ASSETS	<u>\$ 122,088</u>	<u>\$ 107,546</u>	<u>\$ 80,215</u>	<u>\$ 21,222</u>	<u>\$ 331,071</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 7,508				\$ 7,508
Accrued payroll withholdings	1,695				1,695
Due to other funds	331		\$ 69		401
Total liabilities	<u>9,534</u>		<u>69</u>		<u>9,604</u>
Fund equity:					
Fund balance					
Reserved	63,927				63,927
Unreserved	48,627	\$ 107,546	80,146	\$ 21,222	257,540
Total fund equity	<u>112,554</u>	<u>107,546</u>	<u>80,146</u>	<u>21,222</u>	<u>321,467</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 122,088</u>	<u>\$ 107,546</u>	<u>\$ 80,215</u>	<u>\$ 21,222</u>	<u>\$ 331,071</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2007**

Total governmental fund balances	\$ 321,467
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$897,142 less the accumulated depreciation of \$357,395	539,747
Internal service fund is not included in the governmental funds.	54
Net assets - governmental activities	<u>\$ 861,268</u>

VILLAGE OF UNIONVILLE, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:					
Taxes	\$ 95,913		\$ 3,418	\$ 14,031	\$113,362
Intergovernmental	154,117	\$ 37,226	16,428		207,771
Miscellaneous	53,480	1,741	804	487	56,512
TOTAL REVENUE	<u>303,510</u>	<u>38,967</u>	<u>20,650</u>	<u>14,518</u>	<u>377,645</u>
EXPENDITURES:					
Council	5,350				5,350
Mayor	780				780
Elections	500				500
Clerk	11,700				11,700
Treasurer	3,890				3,890
Building and grounds	8,460				8,460
Unallocated	10,921				10,921
Police department	33,766				33,766
Fire protection	8,643				8,643
Department of public works	47,351				47,351
Street lighting	10,902				10,902
Sanitation	34,132				34,132
Recreation and parks	184,193				184,193
Fringe benefits	8,017				8,017
Insurance and bonds	7,142				7,142
Streets		34,389	36,416		70,805
TOTAL EXPENDITURES	<u>375,746</u>	<u>34,389</u>	<u>36,416</u>		<u>446,551</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(72,236)</u>	<u>4,578</u>	<u>(15,766)</u>	<u>14,518</u>	<u>(68,906)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	7,000		31,655		38,655
Operating transfers out		(25,174)		(13,481)	(38,655)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,000</u>	<u>(25,174)</u>	<u>31,655</u>	<u>(13,481)</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):	<u>(65,236)</u>	<u>(20,596)</u>	<u>15,889</u>	<u>1,037</u>	<u>(68,906)</u>
FUND BALANCE-APRIL 1	<u>177,790</u>	<u>128,142</u>	<u>64,257</u>	<u>20,184</u>	<u>390,374</u>
FUND BALANCE-MARCH 31	<u>\$ 112,554</u>	<u>\$ 107,546</u>	<u>\$ 80,146</u>	<u>\$ 21,222</u>	<u>\$ 321,467</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF UNIONVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

Net change in fund balance - governmental funds	\$ (68,906)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, assets with an initial, individual cost of more than
\$1,000 are capitalized and the cost is allocated over their estimated useful
lives and reported as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 210,431	
Depreciation expense	<u>(17,909)</u>	192,522

The net revenue of certain activities of internal service fund is reported with governmental activities.	(4,593)
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Change in net assets of governmental activities	<u>\$ 119,023</u>
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VILLAGE OF UNIONVILLE, MICHIGAN

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS MARCH 31, 2007

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>GOVERNMENTAL</u>
	<u>WATER</u>	<u>SEWER</u>	<u>ACTIVITIES</u>
			<u>INTERNAL</u>
			<u>SERVICE FUND</u>
<u>ASSETS</u>			
Current assets:			
Cash (Bank overdraft)	\$ 50,287	\$ 63,489	\$ (71)
Accounts receivable	2,170	1,860	452
Prepaid expenses	410		
Special assessment receivable - Current		1,454	
Connection charges receivable - Current		4,875	
Accrued interest receivable		1,876	
Total current assets	<u>52,867</u>	<u>73,555</u>	<u>381</u>
Noncurrent:			
Capital assets	1,029,518	2,506,515	147,522
Less accumulated depreciation	(321,473)	(1,031,630)	(116,335)
Total noncurrent assets	<u>708,045</u>	<u>1,474,885</u>	<u>31,187</u>
Other assets:			
Special assessment receivable - Long-term		5,729	5,729
Connection charges receivable - Long-term		19,205	19,205
Deferred charges-Bond issue costs	9,095	2,147	11,242
Restricted assets:			
Cash - Debt retirement	26,000	5,616	31,616
Cash - Maintenance & Improvements	11,858		11,858
Total other assets	<u>46,953</u>	<u>32,697</u>	<u>79,650</u>
TOTAL ASSETS	<u>\$ 807,865</u>	<u>\$ 1,581,136</u>	<u>\$ 31,568</u>

VILLAGE OF UNIONVILLE, MICHIGAN

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS MARCH 31, 2007

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>	
	<u>ENTERPRISE FUNDS</u>			<u>ACTIVITIES</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	<u>INTERNAL</u>	<u>SERVICE FUND</u>
<u>LIABILITIES</u>					
Current liabilities:					
Payable from current assets:					
Accounts payable	\$ 951	\$ 262	\$ 1,213	\$	1,080
Due to other funds	42	9	52		
Payable out of restricted assets:					
Accrued interest payable	5,382	912	6,294		
Bonds payable - Current portion	7,000	25,000	32,000		
Total current	<u>13,375</u>	<u>26,183</u>	<u>39,559</u>		<u>1,080</u>
Noncurrent:					
General obligation bonds payable		260,000	260,000		
Revenue bonds payable	<u>381,115</u>		<u>381,115</u>		
Total noncurrent liabilities	<u>381,115</u>	<u>260,000</u>	<u>641,115</u>		
Total liabilities	<u>394,490</u>	<u>286,183</u>	<u>680,674</u>		<u>1,080</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	319,930	1,189,885	1,509,815		31,187
Restricted for:					
Debt service and improvements	37,858	5,616	43,474		(698)
Unrestricted	<u>55,587</u>	<u>99,452</u>	<u>155,039</u>		
Total net assets	<u>\$ 413,375</u>	<u>\$ 1,294,953</u>	<u>1,708,327</u>		<u>\$ 30,489</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			(1,205)		
Net assets of business-type activities			<u>\$ 1,707,122</u>		

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2007**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
OPERATING REVENUE:				
Charges for services	\$ 67,416	\$ 20,023	\$ 87,439	\$ 19,432
OPERATING EXPENSES:				
Salaries and wages	21,623	5,317	26,940	8,826
Employers FICA tax	1,681	400	2,080	657
Health insurance	2,544	-	2,544	2,524
Accounting	398	-	398	300
Gas and oil	-	-	-	3,023
Operating supplies	3,762	113	3,875	
Contracted services	3,806	1,000	4,806	
Insurance	1,011	-	1,011	
Utilities	5,413	1,120	6,533	
Repairs and maintenance	2,958	838	3,796	4,747
Equipment rental	2,773	1,567	4,341	
Miscellaneous	4,383	1,385	5,767	201
Depreciation	27,566	47,922	75,488	5,200
TOTAL OPERATING EXPENSES	77,918	59,661	137,579	25,479
OPERATING INCOME (LOSS)	(10,502)	(39,638)	(50,140)	(6,047)
NONOPERATING REVENUE (EXPENSES) :				
Connection charges	(60)		(60)	
Interest income	1,742	399	2,141	305
Interest income - Restricted	501	2,683	3,184	
Charges for services - Restricted		24,366	24,366	
Sale of assets				650
Interest expense	(16,867)	(15,787)	(32,654)	
Amortization of bond issue costs	(289)	(195)	(484)	
TOTAL NONOPERATING REVENUE (EXPENSE)	(14,973)	11,466	(3,507)	955
CHANGE IN NET ASSETS	(25,475)	(28,172)	(53,647)	(5,092)
TOTAL NET ASSETS - BEGINNING	438,850	1,323,124		35,580
TOTAL NET ASSETS - ENDING	\$ 413,375	\$ 1,294,952		\$ 30,489
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			(1,205)	
Changes in net assets of business-type activities			\$ (54,852)	

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	ENTERPRISE FUNDS			ACTIVITIES
	WATER	SEWER	TOTAL	INTERNAL
				SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 66,984	\$ 43,711	\$ 110,695	
Receipts from interfund services				\$ 18,980
Payments to suppliers of goods and services	(26,853)	(4,317)	(31,170)	(7,223)
Payments to interfund services	(2,733)	(1,558)	(4,291)	
Payments to employees	(21,623)	(5,317)	(26,940)	(8,826)
Payments for fringe benefits	(4,225)	(400)	(4,625)	(3,181)
NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES	<u>11,550</u>	<u>32,119</u>	<u>43,669</u>	<u>(250)</u>
CASH FLOWS FROM CAPITAL AND				
RELATED FINANCING ACTIVITIES:				
Proceeds from sale of assets				650
Special assessments received		10,629	10,629	
Increase in fixed assets	(27,759)		(27,759)	(17,383)
Bond principal payment	(7,000)	(25,000)	(32,000)	
Interest and fees paid on bonds	(17,622)	(14,875)	(32,497)	
NET CASH (USED) BY CAPITAL AND				
RELATED FINANCING ACTIVITIES	<u>(52,381)</u>	<u>(29,246)</u>	<u>(92,256)</u>	<u>(16,733)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	<u>2,243</u>	<u>3,720</u>	<u>5,605</u>	<u>304</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,243</u>	<u>3,720</u>	<u>5,605</u>	<u>304</u>
NET INCREASE (DECREASE) IN CASH				
AND RESTRICTED CASH	<u>(38,588)</u>	<u>6,593</u>	<u>(31,995)</u>	<u>(16,679)</u>
CASH AND RESTRICTED CASH - APRIL 1	126,733	62,512	189,245	16,608
CASH AND RESTRICTED CASH - MARCH 31	<u>\$ 88,145</u>	<u>\$ 69,105</u>	<u>\$ 157,250</u>	<u>\$ (71)</u>
Cash Reconciliation:				
Cash	\$ 50,287	\$ 63,489	\$ 113,776	\$ (71)
Restricted cash	<u>37,858</u>	<u>5,616</u>	<u>43,474</u>	
Total	<u>\$ 88,145</u>	<u>\$ 69,105</u>	<u>\$ 157,250</u>	<u>\$ (71)</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	<u>ENTERPRISE FUNDS</u>			ACTIVITIES
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>INTERNAL</u>
				<u>SERVICE FUND</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating (loss)	\$ (10,502)	\$ (39,638)	\$ (50,140)	(6,047)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	27,566	47,922	75,488	5,200
Charges for services	(60)	24,366	24,306	
(Increase) decrease in current assets:				
Accounts receivable	(372)	(678)	(1,050)	(452)
Prepaid insurance	(410)		(410)	
Increase (decrease) in current liabilities:				
Due to other funds	40	9	49	
Accounts payable	(4,712)	139	(4,573)	1,049
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 11,550</u>	<u>\$ 32,119</u>	<u>\$ 43,669</u>	<u>\$ (250)</u>

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB14 pronouncement. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Unionville-Sebewaing Area School District - This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Akron, Columbia, Wisner and Village of Unionville Fire Department - This potential component unit has a separate elected board and provides fire protection for Akron, Columbia, and Wisner Townships and the Village of Unionville. The Fire Department is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village's sewer system and water system are classified as business-type activities.

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government Wide and Fund Financial Statements: (Continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

State revenue sharing, charges for service, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from State Revenue Sharing. The Municipal Street Fund is a special revenue fund used to account for revenue from a special tax assessed for street and sidewalk maintenance.

The Village reports the following major proprietary funds:

The Sewer Fund is used to account for the sewer operations in the Village and the Water Fund provides water to residents of the Village.

Additionally, the Village reports the following nonmajor fund type:

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 31, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with actual data for the preceding year. The Village Clerk submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Village Council may authorize supplemental appropriations during the year. The budget was amended throughout the year at regular Village Council meetings.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Receivables and Payables: (Continued)

Other receivables at March 31, 2007 consist of billings for user charged services, including utility services.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 15. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition – Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Tuscola County and are therefore included as revenue in the fiscal year levied.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 to 50
Buildings	25 to 50
Office equipment	5 to 10
Machinery and equipment	5 to 10
Vehicles	5
Improvements other than buildings	15 to 20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental Statement of Net Assets. Depreciation expense for the year ended March 31, 2007, was \$23,109. Capital asset acquisitions in the governmental funds totaled \$227,814 for the year ended March 31, 2007.

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

A summary of Governmental Fund Capital assets:

	MARCH 31	
	<u>2007</u>	<u>2006</u>
Land (Nondepreciated)	\$166,126	\$166,126
Buildings	369,202	193,471
Equipment	109,859	109,859
Internal Service Fund assets	147,522	130,139
Roads and sidewalks	<u>104,433</u>	<u>69,733</u>
Total capital assets	897,142	669,328
Less accumulated depreciation	<u>(357,395)</u>	<u>(334,286)</u>
Net Governmental Fund Capital Assets	<u>\$539,747</u>	<u>\$335,042</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2007, was \$47,922 for the Sewer Fund and \$27,566 for the Water Fund. Capital asset acquisitions were \$0 for Sewer Fund and \$27,759 for Water Fund; there were no disposals for the year ended March 31, 2007.

A summary of Business-Type Fund capital assets:

	MARCH 31	
	<u>2007</u>	<u>2006</u>
Land (Nondepreciated)	\$ 155,532	\$ 155,532
Buildings	1,733	1,733
Water system	999,660	971,901
Sewer system	<u>2,379,109</u>	<u>2,379,109</u>
Total capital assets	3,536,034	3,508,275
Less accumulated depreciation	<u>(1,353,104)</u>	<u>(1,277,616)</u>
Net Business-Type Capital Assets	<u>\$2,182,930</u>	<u>\$2,230,659</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 2,590
Public safety	880
Highways and public improvement	14,439
Equipment rental service	5,200
Total depreciation expense – governmental activities	<u>\$23,109</u>

Business-type activities:

Utility services	<u>\$75,488</u>
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(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

The Village's policies do not allow any carryover for vacation and sick leave. Therefore, there is no liability for compensated absences to report.

Long-term Debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

During the year ended March 31, 2007, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
GENERAL FUND			
Recreation and park	\$113,015	\$184,193	\$71,178
MAJOR STREET:			
Operating transfer out	25,000	25,174	174

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 3 – CASH AND DEPOSITS:

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Unionville. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The carrying amount of cash and deposits with financial institutions of the Village of Unionville amounted to \$458,515 at March 31, 2007. The total bank balance as of the same date was \$468,272.

Deposits with financial institutions are categorized as follows:

Amount insured by the NCIU	\$ 71,601
Amount insured by the FDIC	395,946
Uncollateralized	<u>725</u>
Total deposits with financial institutions	<u>\$468,272</u>

The cash and deposits include restricted cash in the amount of \$31,616 for bond debt retirement, \$11,858 for water construction project and maintenance, \$18,667 for the police car sinking fund, \$39,970 for storm sewer project, and \$5,290 for future equipment for the Village.

All deposits categorized as uncollateralized are the property of the Village of Unionville.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2007.

NOTE 4 – RESTRICTED ASSETS:

Special assessment proceeds, unpaid balances and accrued interest and 58.75% of customer charges for services are restricted for payment of sewer general obligation bonds.

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 5 – LONG-TERM DEBT:

General Obligation Enterprise Bonds - The Sewer Fund provides the annual debt service requirement on certain general obligation enterprise bonds issued to finance construction of a new sewer system. Since the Sewer Fund provides the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Sewer Fund and have been reported on the balance sheet of the Sewer Fund.

Although the general obligation enterprise bonds are reported on the balance sheet of the Sewer Fund, they are backed by the full faith and credit of the Village and are, therefore, a contingent liability to the general government.

General obligation enterprise bonds were issued for payment of the local share of sewer construction costs. The total bond issue was for \$750,000. The bonds bear interest at the rate of 5% per annum. Interest is payable on April 1 and October 1 of each year. Principal payments are payable October 1 of each year. Debt service requirements are as follows:

<u>YEAR ENDING</u>			
<u>MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 25,000	\$13,625	\$ 38,625
2009	25,000	12,375	37,375
2010	25,000	11,125	36,125
2011	25,000	9,875	34,875
2012	25,000	8,625	33,625
2013-17	150,000	21,250	171,250
2018	10,000	250	10,250
TOTALS	<u>\$285,000</u>	<u>\$77,125</u>	<u>\$362,125</u>

Water Supply System Revenue Bond, Series B:

The Village of Unionville received two separate bond issues for the construction of the water improvement project. The bonds are single, fully-registered, non-convertible bonds. The first series of Series B bonds was issued under Ordinance No. 141 in the amount of \$267,000. The second series of Series B bonds was issued under Ordinance No. 142 in the amount of \$204,000.

The principal and interest payments shall be payable out of net revenues derived from user fees. The bonds bear interest at the rate of 4.5% per annum. Interest is payable on June 1 and December 1 of each year. Principal payments are payable June 1 of each year. The bonds are serial bonds and are issued in chronological order. The following is a schedule of payments for each bond:

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 – LONG-TERM DEBT: (CONTINUED)
SERIES B BOND #2 ISSUE AMOUNT \$267,000:

YEAR ENDING MARCH 31,	PRINCIPAL	INTEREST	TOTAL
2008	\$ 4,000	\$ 9,092	\$ 13,092
2009	4,000	8,912	12,912
2010	4,000	8,732	12,732
2011	5,000	8,529	13,529
2012	5,000	8,304	13,304
2013-17	30,000	37,761	67,761
2018-22	38,000	30,066	68,066
2023-27	44,000	20,976	64,976
2028-32	50,000	10,131	60,131
2033-35	<u>20,115</u>	<u>915</u>	<u>21,030</u>
	<u>\$204,115</u>	<u>\$143,418</u>	<u>\$347,533</u>

SERIES B BOND #3 ISSUE AMOUNT \$204,000:

YEAR ENDING MARCH 31,	PRINCIPAL	INTEREST	TOTAL
2008	\$ 3,000	\$ 8,208	\$ 11,208
2009	3,000	8,073	11,073
2010	3,000	7,938	10,938
2011	3,000	7,803	10,803
2012	3,000	7,668	10,668
2013-17	19,000	35,912	54,912
2018-22	23,000	31,232	54,232
2023-27	29,000	25,382	54,382
2028-32	37,000	18,002	55,002
2033-37	46,000	8,755	54,755
2038	<u>15,000</u>	<u>325</u>	<u>15,325</u>
	<u>\$184,000</u>	<u>\$159,298</u>	<u>\$343,298</u>

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 – LONG-TERM DEBT: (CONTINUED)

The following is a summary of the changes in the long-term liabilities during the year ended March 31, 2007:

	<u>Balance</u> <u>March 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2007</u>	<u>Due Within</u> <u>One Year</u>
General					
Obligation bonds	\$310,000		\$25,000	\$285,000	\$25,000
Water supply system					
Revenue bonds:					
Series B #2	208,115		4,000	204,115	4,000
Series B #3	<u>187,000</u>		<u>3,000</u>	<u>184,000</u>	<u>3,000</u>
Totals	<u>\$705,115</u>		<u>\$32,000</u>	<u>\$673,115</u>	<u>\$32,000</u>

NOTE 6 - CONTINGENT LIABILITIES:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 7 - SETTLEMENT AGREEMENT:

A settlement agreement between the Village of Unionville, plaintiff, and Edmands Engineering, Inc., M & B Contracting Corporation, Staff Industries Inc., and Insurance Company of North America, defendants, was signed April 12, 1990. The total settlement amounted to \$260,000. The remaining payment will be made to the Village of Unionville on December 30, 2009 in the amount of \$150,000. The payment goes into the sewer fund.

NOTE 8 - RISK MANAGEMENT:

The Village of Unionville purchased commercial insurance coverage for property, general liability, medical insurance for employees, and coverage for losses related to worker's compensation claims. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF UNIONVILLE, MICHIGAN
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes	\$ 90,000	\$ 90,000	\$ 95,913	\$ 5,913
Intergovernmental	73,825	73,825	154,117	80,292
Fines	1,500	1,500	972	(528)
Charges for services	33,900	33,900	32,973	(927)
Miscellaneous	36,400	36,400	19,535	(16,865)
TOTAL REVENUES	<u>235,625</u>	<u>235,625</u>	<u>303,510</u>	<u>67,885</u>
EXPENDITURES				
Council	5,900	5,900	5,350	550
Mayor	900	900	780	120
Elections	500	500	500	-
Clerk	10,662	12,162	11,700	462
Treasurer	3,890	3,890	3,890	-
Building and grounds	13,000	14,000	8,460	5,540
Unallocated	16,350	17,362	10,921	6,441
Police department	47,705	47,958	33,766	14,192
Fire protection	8,643	8,643	8,643	-
Department of public works	61,222	61,506	47,351	14,155
Street lighting	11,400	11,400	10,902	498
Sanitation	34,500	34,500	34,132	368
Recreation and parks	72,218	113,015	184,193	(71,178)
Fringe benefits	9,563	9,804	8,017	1,787
Insurance and bonds	17,908	17,908	7,142	10,766
TOTAL EXPENDITURES	<u>314,361</u>	<u>359,448</u>	<u>375,746</u>	<u>(16,298)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(78,736)</u>	<u>(123,823)</u>	<u>(72,236)</u>	<u>51,586</u>
OTHER FINANCING SOURCES				
Transfers in	7,000	7,000	7,000	
TOTAL OTHER FINANCING SOURCES	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
EXCESS OF REVENUE & OTHER SOURCES (UNDER) EXPENDITURES	<u>(71,736)</u>	<u>(116,823)</u>	<u>(65,236)</u>	<u>51,587</u>
FUND BALANCE - APRIL 1	<u>177,790</u>	<u>177,790</u>	<u>177,790</u>	
FUND BALANCE - MARCH 31	<u>\$ 106,054</u>	<u>\$ 60,967</u>	<u>\$ 112,554</u>	<u>\$ 51,587</u>

**VILLAGE OF UNIONVILLE, MICHIGAN
MAJOR STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental revenue	\$ 38,600	\$ 38,600	\$ 37,226	\$ (1,374)
Miscellaneous	<u>1,800</u>	<u>1,800</u>	<u>1,741</u>	<u>(59)</u>
TOTAL REVENUE	<u>40,400</u>	<u>40,400</u>	<u>38,967</u>	<u>(1,433)</u>
EXPENDITURES				
Construction	12,000	16,700	16,648	52
Routine maintenance	6,394	11,073	9,184	1,889
Winter maintenance	2,368	3,211	2,716	495
Administrative	8,252	8,063	4,857	3,206
Maintenance - State trunkline	<u>2,136</u>	<u>2,136</u>	<u>985</u>	<u>1,151</u>
TOTAL EXPENDITURES	<u>31,150</u>	<u>41,183</u>	<u>34,389</u>	<u>6,794</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>9,250</u>	<u>(783)</u>	<u>4,578</u>	<u>5,361</u>
OTHER FINANCING (USES)				
Operating transfers out	(25,000)	(25,000)	(25,174)	(174)
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES	<u>(15,750)</u>	<u>(25,783)</u>	<u>(20,596)</u>	<u>5,187</u>
FUND BALANCE - APRIL 1	<u>128,142</u>	<u>128,142</u>	<u>128,142</u>	
FUND BALANCE - MARCH 31	<u>\$ 112,392</u>	<u>\$ 102,359</u>	<u>\$ 107,546</u>	<u>\$ 5,187</u>

**VILLAGE OF UNIONVILLE, MICHIGAN
LOCAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes	\$ 3,300	\$ 3,300	\$ 3,418	\$ 118
Intergovernmental revenue	15,000	15,000	16,428	1,428
Miscellaneous	<u>475</u>	<u>475</u>	<u>804</u>	<u>329</u>
TOTAL REVENUE	<u>18,775</u>	<u>18,775</u>	<u>20,650</u>	<u>1,875</u>
EXPENDITURES				
Construction	25,000	25,000	18,052	6,948
Routine maintenance	7,941	10,501	10,489	12
Winter maintenance	2,820	3,361	3,104	257
Administrative	<u>6,945</u>	<u>7,152</u>	<u>4,771</u>	<u>2,381</u>
TOTAL EXPENDITURES	<u>42,706</u>	<u>46,014</u>	<u>36,416</u>	<u>9,598</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(23,931)</u>	<u>(27,239)</u>	<u>(15,766)</u>	<u>11,473</u>
OTHER FINANCING SOURCES				
Operating transfers in	31,481	31,481	31,655	174
EXCESS OF REVENUE & OTHER SOURCES OVER EXPENDITURES	<u>7,550</u>	<u>4,242</u>	<u>15,889</u>	<u>11,647</u>
FUND BALANCE - APRIL 1	<u>64,257</u>	<u>64,257</u>	<u>64,257</u>	
FUND BALANCE - MARCH 31	<u>\$ 71,807</u>	<u>\$ 68,499</u>	<u>\$ 80,146</u>	<u>\$ 11,647</u>

**VILLAGE OF UNIONVILLE, MICHIGAN
MUNICIPAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes	\$ 13,481	\$ 13,481	\$ 14,031	\$ 550
Miscellaneous	<u>450</u>	<u>450</u>	<u>487</u>	<u>37</u>
TOTAL REVENUE	<u>13,931</u>	<u>13,931</u>	<u>14,518</u>	<u>587</u>
OTHER FINANCING (USES)				
Operating transfers out	(13,481)	(13,481)	(13,481)	-
EXCESS OF REVENUE OVER OTHER USES	<u>450</u>	<u>450</u>	<u>1,037</u>	<u>587</u>
FUND BALANCE - APRIL 1	<u>20,184</u>	<u>20,184</u>	<u>20,184</u>	
FUND BALANCE - MARCH 31	<u>\$ 20,634</u>	<u>\$ 20,634</u>	<u>\$ 21,222</u>	<u>\$ 587</u>

ADDITIONAL INFORMATION

VILLAGE OF UNIONVILLE, MICHIGAN

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2007**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTALS</u>
<u>ASSETS:</u>				
Cash	\$ 101,728	\$ 76,662	\$ 21,222	\$ 199,612
Accounts receivable	5,135	2,938		8,073
Prepaid expenses	683	615		1,298
TOTAL ASSETS	<u>\$ 107,546</u>	<u>\$ 80,215</u>	<u>\$ 21,222</u>	<u>\$ 208,983</u>
<u>LIABILITIES:</u>				
Due to other funds		\$ 69		\$ 69
TOTAL LIABILITIES		<u>69</u>		<u>69</u>
<u>FUND EQUITY</u>				
Fund balance - Undesignated	\$ 107,546	80,146	\$ 21,222	208,913
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 107,546</u>	<u>\$ 80,215</u>	<u>\$ 21,222</u>	<u>\$ 208,983</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE , EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTALS</u>
REVENUE:				
Taxes		\$ 3,418	\$ 14,031	\$ 17,449
Intergovernmental	\$ 37,226	16,428		53,654
Miscellaneous	1,741	804	487	3,032
TOTAL REVENUE	<u>38,967</u>	<u>20,650</u>	<u>14,518</u>	<u>74,135</u>
EXPENDITURES:				
Streets	34,389	36,416		70,805
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>4,578</u>	<u>(15,766)</u>	<u>14,518</u>	<u>3,330</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in		31,655		31,655
Operating transfers out	(25,174)		(13,481)	(38,655)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,174)</u>	<u>31,655</u>	<u>(13,481)</u>	<u>(7,000)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(20,596)</u>	<u>15,889</u>	<u>1,037</u>	<u>(3,670)</u>
FUND BALANCE - APRIL 1	128,142	64,257	20,184	212,583
FUND BALANCE - MARCH 31	<u>\$ 107,546</u>	<u>\$ 80,146</u>	<u>\$ 21,222</u>	<u>\$ 208,913</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 28,000	\$ 28,695	\$ 695
State trunkline	4,000	1,661	(2,339)
County - Road improvement	6,600	6,869	269
Miscellaneous:			
Interest income	1,800	1,741	(59)
TOTAL REVENUE	<u>40,400</u>	<u>38,967</u>	<u>(1,433)</u>
EXPENDITURES:			
Construction	16,700	16,648	52
Routine maintenance	11,073	9,184	1,889
Winter maintenance	3,211	2,716	495
Administration	8,063	4,857	3,206
Maintenance - State trunkline	2,136	985	1,151
TOTAL EXPENDITURES	<u>41,183</u>	<u>34,389</u>	<u>6,794</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(783)</u>	<u>4,578</u>	<u>5,361</u>
OTHER FINANCING (USES):			
Operating transfers out	(25,000)	(25,174)	(174)
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)	<u>(25,783)</u>	<u>(20,596)</u>	<u>5,187</u>
FUND BALANCE-APRIL 1	128,142	128,142	
FUND BALANCE-MARCH 31	<u>\$ 102,359</u>	<u>\$ 107,546</u>	<u>\$ 5,187</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Bridge tax	\$ 3,300	\$ 3,418	\$ 118
Intergovernmental:			
Gas and weight tax	15,000	16,428	1,428
Miscellaneous:			
Interest income	475	804	329
TOTAL REVENUE	<u>18,775</u>	<u>20,650</u>	<u>1,875</u>
EXPENDITURES:			
Construction	25,000	18,052	6,948
Routine maintenance	10,501	10,489	12
Winter maintenance	3,361	3,104	257
Administration	7,152	4,771	2,381
TOTAL EXPENDITURES	<u>46,014</u>	<u>36,416</u>	<u>9,598</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(27,239)</u>	<u>(15,766)</u>	<u>11,473</u>
OTHER FINANCING SOURCES:			
Operating transfers in	31,481	31,655	174
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>4,242</u>	<u>15,889</u>	<u>11,647</u>
FUND BALANCE - APRIL 1	64,257	64,257	
FUND BALANCE - MARCH 31	<u>\$ 68,499</u>	<u>\$ 80,146</u>	<u>\$ 11,647</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**MUNICIPAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Current property tax	\$ 13,481	\$ 14,031	\$ 550
Miscellaneous - Interest income	450	487	37
TOTAL REVENUE	<u>13,931</u>	<u>14,518</u>	<u>587</u>
OTHER FINANCING (USES):			
Operating transfers out	(13,481)	(13,481)	-
EXCESS OF REVENUE OVER OTHER (USES)	<u>450</u>	<u>1,037</u>	<u>587</u>
FUND BALANCE - APRIL 1	20,184	20,184	
FUND BALANCE - MARCH 31	<u>\$ 20,634</u>	<u>\$ 21,222</u>	<u>\$ 587</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 82,000	\$ 87,711	\$ 5,711
Special police millage	6,800	7,014	214
Tax administration fees	<u>1,200</u>	<u>1,188</u>	<u>(12)</u>
Total taxes	<u>90,000</u>	<u>95,913</u>	<u>5,913</u>
Intergovernmental:			
State grant -Park development		84,834	84,834
State revenue sharing			
Sales tax - Statutory & Constitutional	73,000	68,458	(4,542)
Liquor license	<u>825</u>	<u>825</u>	<u>-</u>
Total intergovernmental	<u>73,825</u>	<u>154,117</u>	<u>80,292</u>
Fines			
Ordinance fines	<u>1,500</u>	<u>972</u>	<u>(528)</u>
Charges for services:			
Trash collection	<u>33,900</u>	<u>32,973</u>	<u>(927)</u>
Miscellaneous:			
Interest income	10,700	4,447	(6,253)
Tower rent	3,600	2,400	(1,200)
Park advertising	7,000	1,500	(5,500)
Miscellaneous	<u>15,100</u>	<u>11,188</u>	<u>(3,912)</u>
Total miscellaneous	<u>36,400</u>	<u>19,535</u>	<u>(16,865)</u>
TOTAL REVENUE	<u>\$ 235,625</u>	<u>\$ 303,510</u>	<u>\$ 67,885</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Council:			
Salaries	<u>\$ 5,900</u>	<u>\$ 5,350</u>	<u>\$ 550</u>
Mayor:			
Salaries	<u>900</u>	<u>780</u>	<u>120</u>
Elections:			
Wages	200	200	
Supplies	<u>300</u>	<u>300</u>	
Total elections	<u>500</u>	<u>500</u>	
Clerk:			
Salary	<u>12,162</u>	<u>11,700</u>	<u>462</u>
Treasurer:			
Salary	<u>3,890</u>	<u>3,890</u>	
Building and grounds			
Telephone	2,750	2,512	238
Utilities	5,750	4,197	1,553
Repairs and maintenance	1,000	827	173
Miscellaneous	1,500	924	576
Capital outlay	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total building and grounds	<u>14,000</u>	<u>8,460</u>	<u>5,540</u>
Unallocated:			
Office supplies	1,750	2,054	(304)
Legal and accounting	3,000	2,708	292
Dues and subscriptions	1,500	805	695
Drain assesement	1,500	-	1,500
Community relations	50	50	
Printing and publishing	3,500	2,635	865
Miscellaneous	3,362	2,669	693
Seminars	700	-	700
Capital outlay	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total unallocated	<u>17,362</u>	<u>10,921</u>	<u>6,441</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2007**

EXPENDITURES:(CONTINUED)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Police department:			
Salary - Patrolman	29,291	23,947	5,344
Employers FICA tax	2,235	1,822	413
Supplies	1,050	813	237
Uniforms and cleaning	500	390	110
Gas and oil	1,650	948	702
Crossing guard	1,540	1,540	
Capital outlay	500		500
Insurance	8,954	3,327	5,627
Repairs and maintenance	800	348	452
Miscellaneous	1,438	630	808
Total police department	<u>47,958</u>	<u>33,766</u>	<u>14,192</u>
Fire protection:			
Contracted services	<u>8,643</u>	<u>8,643</u>	
Total fire protection	<u>8,643</u>	<u>8,643</u>	
Department of public works:			
Wages	23,722	23,270	452
Street signs	400	400	-
Storm sewer repair	13,000	1,640	11,360
Sidewalks	7,712	7,712	-
Weed control supplies	425	537	(112)
Supplies	1,050	807	243
Uniforms	250	206	44
Tree removal	3,500	3,500	-
Equipment rental	11,447	9,278	2,169
Total department of public works	<u>61,506</u>	<u>47,351</u>	<u>14,155</u>
Street lighting:			
Utilities	<u>11,400</u>	<u>10,902</u>	<u>498</u>
Sanitation:			
Contracted services	33,900	33,805	95
Office supplies	<u>600</u>	<u>327</u>	<u>273</u>
Total sanitation	<u>34,500</u>	<u>34,132</u>	<u>368</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Recreation and parks:			
Supplies	160	100	60
Utilities	3,063	3,049	14
Repairs and maintenance	2,000	1,741	259
Casual labor	1,000	340	660
Park improvements	<u>106,792</u>	<u>178,963</u>	<u>(72,171)</u>
Total recreation and parks	<u>113,015</u>	<u>184,193</u>	<u>(71,178)</u>
Fringe benefits:			
Employers FICA tax	3,132	3,132	
Health insurance	<u>6,672</u>	<u>4,885</u>	<u>1,787</u>
Total fringe benefits	<u>9,804</u>	<u>8,017</u>	<u>1,787</u>
Insurance and bonds:			
General insurance	17,908	7,142	10,766
TOTAL EXPENDITURES	<u>\$ 359,448</u>	<u>\$ 375,746</u>	<u>\$ (16,298)</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**MAJOR STREET FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Contracted services	<u>\$ 16,700</u>	<u>\$ 16,648</u>	<u>\$ 52</u>
Routine maintenance:			
Wages	8,263	8,263	0
Equipment rental	<u>2,810</u>	<u>921</u>	<u>1,889</u>
Total routine maintenance	<u>11,073</u>	<u>9,184</u>	<u>1,889</u>
Winter maintenance:			
Wages	1,805	1,314	491
Equipment rental	<u>1,406</u>	<u>1,402</u>	<u>4</u>
Total winter maintenance	<u>3,211</u>	<u>2,716</u>	<u>495</u>
Administration:			
Employers FICA tax	768	767	1
Health insurance	3,789	1,969	1,820
Accounting	400	398	2
Miscellaneous	350	327	23
General insurance	<u>2,756</u>	<u>1,396</u>	<u>1,360</u>
Total administration	<u>8,063</u>	<u>4,857</u>	<u>3,206</u>
Maintenance - State trunkline:			
Wages	1,136	307	829
Equipment rental	<u>1,000</u>	<u>678</u>	<u>322</u>
Total maintenance - State trunkline	<u>2,136</u>	<u>985</u>	<u>1,151</u>
TOTAL EXPENDITURES	<u><u>\$ 41,183</u></u>	<u><u>\$ 34,389</u></u>	<u><u>\$ 6,794</u></u>

VILLAGE OF UNIONVILLE, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Contracted services	<u>\$ 25,000</u>	<u>\$ 18,052</u>	<u>\$ 6,948</u>
Routine maintenance:			
Wages	7,501	7,500	1
Supplies	1,700	1,620	80
Equipment rental	<u>1,300</u>	<u>1,369</u>	<u>(69)</u>
Total routine maintenance	<u>10,501</u>	<u>10,489</u>	<u>12</u>
Winter maintenance:			
Wages	1,195	1,068	127
Supplies	525	396	129
Equipment rental	<u>1,641</u>	<u>1,640</u>	<u>1</u>
Total winter maintenance	<u>3,361</u>	<u>3,104</u>	<u>257</u>
Administration:			
Wages	550	550	
Employers FICA tax	715	715	
Health insurance	2,411	1,854	557
Accounting	400	398	2
General insurance	<u>3,076</u>	<u>1,255</u>	<u>1,821</u>
Total administration	<u>7,152</u>	<u>4,771</u>	<u>2,381</u>
TOTAL EXPENDITURES	<u>\$ 46,014</u>	<u>\$ 36,416</u>	<u>\$ 9,598</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Village Council
Village of Unionville
Unionville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Unionville, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Village of Unionville, Michigan's basic financial statements and have issued our report thereon dated May 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Unionville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Unionville, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Unionville, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Unionville, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Unionville, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Unionville, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Unionville, Michigan's internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Unionville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of Village of Unionville, Michigan, in a separate letter dated May 21, 2007.

This report is intended solely for the information and use of the management, Village Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

May 21, 2007



ALLAN W. NIETZKE, CPA
DONALD C. FAUPEL, CPA
JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

CPA's On Your Team

To the Honorable Council Members
Village of Unionville
Unionville, Michigan 48767

www.unionvillemich.com
New Website

In planning and performing our audit of the financial statements of the Village of Unionville as of and for the period ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Unionville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated May 21, 2007, on the financial statements of the Village of Unionville. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

BUDGET AND BUDGETARY PROCEDURES

As noted in the financial statements, some of the activities and funds of the Village exceeded the amounts appropriated. The variances noted were in the General Fund and Major Street Fund. A similar issue was noted and reported in our audit comments for the year ended March 31, 2005.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. During the year ended March 31, 2007 the Village incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND			
Recreation and park	\$113,015	\$184,193	\$71,178
MAJOR STREET:			
Operating transfer out	25,000	25,174	174

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

INVESTMENT POLICY

During the course of our audit and through discussions with administration, it was noted that the Village has not amended their investment policy to address various areas of risk as described by GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Village's funds. These resources are necessary for the delivery of the Village's services programs. GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Village's ability to provide services and meet its obligations as they become due. This issue was noted and reported in our audit comments for year ended March 31, 2005.

We recommend the Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Village's financial statements by GASB Statement No. 40.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Village of Unionville, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

May 21, 2007